

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 7602**

**BILL NUMBER: HB 1784**

**DATE PREPARED:** Jan 23, 2001

**BILL AMENDED:**

**SUBJECT:** Medicaid Provider Agreements.

**FISCAL ANALYST:** Alan Gossard

**PHONE NUMBER:** 233-3546

**FUNDS AFFECTED:** X

**GENERAL  
DEDICATED  
FEDERAL**

X

**IMPACT:** State

**Summary of Legislation:** This bill requires a Medicaid provider that does not contract with a Medicaid Risk-Based Managed Care contractor to: (1) accept as payment in full an amount equal to the lesser of the provider's actual charge submitted to the Medicaid managed care organization, or the amount the Office of Medicaid Policy and Planning (OMPP) would pay the provider if the recipient were not enrolled in the RBMC program; and (2) provide services to a recipient enrolled with the managed care contractor in compliance with the contractor's utilization review and medical management programs.

**Effective Date:** July 1, 2001.

**Explanation of State Expenditures:** This bill requires a provider in the Medicaid Risk-Based Managed Care (RBMC) program who does not have a contract with a managed care organization (MCO) (and who provides services to a recipient who is enrolled with the MCO) to agree to the following. The provider must agree to accept as payment in full from the managed care contractor an amount equal to the lesser of: (1) the provider's actual charges or (2) the amount that OMPP would pay the provider in the Medicaid fee-for-service program.

The number of providers without a contract with an MCO, but who provide services to Medicaid recipients enrolled with an MCO, is not known. However, to the extent that a provider's submitted charges, as well as Medicaid fee-for-service rates, are greater than the reimbursement rates that would be provided through a provider contract with an MCO, there would be additional incentive for the provider to not agree to a managed care contract. Furthermore, to the extent that this is a widespread occurrence and MCOs are required to pay higher reimbursement rates to providers than would ordinarily be negotiated under managed care contracts, the costs faced by MCOs may increase, potentially affecting the capitated rates negotiated in the future between the MCOs and the state Medicaid program.

**Explanation of State Revenues:**



**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** See Explanation of State Expenditures, above, regarding costs and reimbursement in the Medicaid RBMC program where some providers could be county-owned or municipally owned hospitals.

**State Agencies Affected:** Office of Medicaid Policy and Planning.

**Local Agencies Affected:** Some county-owned and municipally owned hospitals.

**Information Sources:**